TITANIUM CORPORATION

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTH PERIODS ENDED MAY 31, 2009

Titanium Corporation Inc. ("Titanium" or the "Company") has prepared the following management discussion and analysis (the "MD&A") to provide information to assist in understanding the financial results for the three and nine month periods ended May 31, 2009. This MD&A should be read in conjunction with Titanium's unaudited interim financial statements for the three and nine month periods ended May 31, 2009 including the notes thereto (the "Financial Statements") and the annual MD&A for the year ended August 31, 2008.

The above referenced material is available on Titanium's website at www.titaniumcorporation.com or it can be found, along with additional information about Titanium, on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

This MD&A is based on information available to management as of July 29, 2009.

The Financial Statements have been prepared in accordance with accounting principles generally accepted in Canada ("GAAP"). All amounts included in this MD&A are in Canadian dollars, unless otherwise specified.

This MD&A contains forward-looking information that reflects the current expectations of management about the future results, performance, achievements, prospects or opportunities for Titanium, the oil sands industry and the heavy minerals industry. These statements generally can be identified by use of forward-looking words such as "may", "will", "expect", "estimate", "anticipate", "believe", "project", "should" or "continue" or the negative thereof or similar variations. Forward-looking statements are based upon a number of assumptions and are subject to a number of known and unknown risks and uncertainties, many of which are beyond Titanium's control, which could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking statements. Examples of such forward-looking information in this document include but are not limited to the discussion of Titanium's research and development ("R&D") plans under the heading "Business Overview" and Titanium's business plan for the remainder of fiscal 2009 and fiscal 2010 under the heading "Outlook". Forward-looking information is subject to significant risks and uncertainties and is based on a number of Titanium's expectations and assumptions which may prove to be incorrect, including assumptions regarding worldwide prices for zircon, titanium and bitumen, foreign currency exchange rates, expected capital expenditures and Titanium's expected future production and cash flows. The risks, uncertainties and other factors that could influence actual results include, but are not limited to:

- *Operating or technical difficulties in connection with research and development activities;*
- *Development timelines including negative impacts on Titanium's technologies caused by unforeseen development costs;*

- *Reliance on a small number of key people;*
- *Access to and cost of oil sands tailings;*
- *Difficulties meeting potential customers' specifications;*
- *Competitors may develop alternate solutions or the intellectual property may not be adequately protected;*
- *Requirement for additional funding; and*
- *Legal and regulatory risk.*

While we anticipate that subsequent events and developments may cause our views to change, we do not have an intention to update this forward-looking information except as required by applicable securities laws. This forward-looking information represents our views as of the date of this MD&A and such information should not be relied upon as representing our views as of any date subsequent to the date of this document. We have attempted to identify important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations. *There can be no assurance that forward-looking information will prove to be accurate as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.* These factors are not intended to represent a complete list of the factors that could affect the Company. See the section on "Risks" in this MD&A and risk factors disclosed in materials (primarily the annual MD&A) filed with the securities regulatory authorities in Canada from time to time and available on SEDAR.

BUSINESS OVERVIEW

The Company is a development stage company whose common shares are listed on the TSX Venture Exchange under the symbol TIC.

Titanium is conducting R&D activities to develop technologies and processes to recover heavy minerals (primarily zircon) and bitumen contained in the froth treatment tailings streams from oil sands mining operations near Fort McMurray, Alberta (the "Oil Sands Project" or the "Project"). Within the overall Project are many R&D programs, managed by the Company's in-house experts, and comprised of multiple components being executed by a number of leading research firms in Canada and the United States as well as an internal research facility located in Regina, Saskatchewan.

The potential benefits from the Oil Sands Project are twofold. First, the recovered heavy minerals and bitumen have commercial value and will provide a source of revenue. Second, by using an integrated approach to recovering heavy minerals and bitumen there is potential for industry wide environmental benefits thereby "Creating Value from Waste"™.

Growing environmental awareness calls for solutions that address air emissions, water use and treatment, waste management, land reclamation and maximized use of non-renewable resources. Currently there is a significant amount of bitumen being discharged into tailings ponds and the amount of bitumen being discharged will grow concurrent with the development of the oil sands mining operations. Recovering a meaningful portion of this lost bitumen, together with heavy minerals, represents an opportunity to create value for Titanium's shareholders and to improve the environment by processing this waste.

The Company conducts a phased R&D program both internally with a small research staff and with external research firms to develop technologies to process oil sands froth treatment tailings directly from the tailings pipeline. The phases of the R&D programs are as follows:

- Phase I - initial laboratory scale work: the objective is to identify the most prospective laboratory-based solutions;
- Phase II - bench scale testing
- Phase III - integrated pilot-testing

Following the completion of its R&D programs and successful integrated piloting, the Company plans to commercialize the technology by establishing facilities to recover heavy minerals and bitumen. Presently there are four large oil sands mining operations which are candidates to utilize this process, and a number of other oil sands mining projects under various stages of planning and development.

The R&D analysis to date has shown that the removal and recovery of bitumen is necessary to effectively recover the heavy minerals. The bitumen removal & recovery R&D projects are designed to remove residual bitumen from the heavy minerals and recover bitumen from the tailings stream. The technical and economic success of the Project relies on the integrated recovery of both heavy minerals and a portion of the bitumen adhering to the minerals and being wasted in the tailings. The R&D programs are also researching the recovery of solvent and water from the froth treatment tailings stream to address the environmental aspects of the process.

SIGNIFICANT EVENTS IN THE THIRD QUARTER OF FISCAL 2009

During the third fiscal quarter, Titanium continued to focus its R&D activities on resolving the technical issues related to the Oil Sands Project. In particular, the following are the major activities and accomplishments in the quarter:

- Continued to make solid progress in R&D programs with particular emphasis on a continuous bitumen recovery bench scale pilot;
- In May 2009 bench scale continuous testing was conducted to verify a flow sheet for bitumen recovery. The results, which were encouraging, are still being evaluated. Key data will assist in the design of larger scale integrated pilot test work planned for 2010;
- Relocated the corporate head office from Toronto, Ontario to Edmonton, Alberta and hired a new CFO and staff in Edmonton. This move and other changes are expected to result in significant cost savings going forward and locates the company closer to the Alberta oil sands and related research partners.

Update on R&D Program

During the quarter, the R&D programs continued to focus on the challenges of removing residual bitumen from the heavy minerals and recovering bitumen from the froth treatment tailings stream.

Bitumen Removal and Recovery – During the current quarter, The Company completed a 4 week continuous bench scale test program (Phase II testing) which was aimed at further analyzing the recovery of bitumen. The results were encouraging and will assist in the design of the larger-scale integrated pilot planned for 2010. In parallel with the this research program, planning continued on a number of projects in related areas including water treatment and reuse and solvent recovery.

Heavy Minerals Concentration and Separation – During the current quarter, the Company continued the on-going work to process cleaned Heavy Minerals Concentrate (HMC) and minerals separation at Regina. The Company has engaged external experts to advise it on optimizing the recovery of zircon.

Collaboration with Government Stakeholders

The Company's R&D programs continue to be partially funded with a matching grant from the Province of Alberta's Energy Innovation Fund. Under this program, Titanium meets regularly with an independent Advisory Committee comprised of government, research and industry representatives. Quarterly meetings are held to approve research contracts, review progress and provide advice.

OUTLOOK

The business plan for the remainder of fiscal 2009 and fiscal 2010 is focused on executing and completing the multiple R&D programs underway which are designed to resolve the technical issues of recovering bitumen and zircon from waste tailings streams as discussed above. The Company will also commence planning and execution of an integrated pilot demonstration program during the fiscal 2009 and fiscal 2010 periods.

In summary, the Company has made significant progress on current year objectives as follows:

- Prospective technology solutions for bitumen removal and recovery have been identified and are progressing through laboratory and bench scale testing.
- An increased focus has been placed on water treatment for reuse and solvent recovery, both of which have the potential to deliver environmental improvements.
- Working effectively with the Alberta Government advisory committee which oversees the R&D programs funded by the $3.5 million Energy Innovation Grant.
- The next major phase will be the demonstration testing of the various separate technologies in an integrated pilot. This phase will more clearly define the requirements for commercialization of the process.
- The Company has made significant progress reducing G&A costs with the closure of the Toronto office and consolidation of functions in Edmonton.

SUMMARY OF FINANCIAL RESULTS FOR THE THREE AND NINE MONTH PERIODS ENDED MAY 31, 2009

The following summarizes Titanium's financial performance for the three and nine month periods ended May 31, 2009 as compared to the similar periods in 2008:

- During the three and nine month periods ended May 31, 2009, and since inception, the Company did not generate any operating revenues as it is in the development stage.

- In the third quarter of fiscal 2009, general and administrative (G&A) expense decreased to $551 thousand from $621 thousand in the third quarter of 2008. R&D costs increased significantly to $738 thousand from $205 thousand in the 2008 quarter. In the first nine months of the year, increased R&D activities and higher stock-based compensation expense offset partially by lower G&A costs have resulted in an increase in total expenses for the period. All of these variances are discussed later in this MD&A.

- In the third quarter of fiscal 2009, the Company capitalized $72 thousand ($204 thousand year to date) of expenditures incurred at the Company's Regina facilities related to the development of the Oil Sands Project. This compares to $132 thousand ($393 thousand year to date) capitalized in the third quarter of fiscal 2008. In order to be deferred, the costs incurred must relate directly to the development of the Oil

Sands Project. Other costs incurred at the Company's research facilities in Regina and the external research are expensed as incurred (see Research and Development Expense and Oil Sands Project). R&D costs incurred in the third quarter and first nine months of fiscal 2009 were $738 thousand and $1. 622 million, respectively. This compares to R&D costs of $205 thousand and $729 thousand for the comparable periods of fiscal 2008.

- For the third quarter and first nine months of fiscal 2009, the Company incurred net losses of $1.439 million ($0.03 per share) and $3.797 million ($0.07 per share), respectively. The comparable losses for the same periods of fiscal 2008 were $856 thousand ($0.02 per share) and $2.759 million ($0.05 per share).

- Interest income declined to $56 thousand in the third quarter from $150 thousand in 2008 ($261 thousand and $582 thousand in the comparable nine month periods) reflecting the decline in both interest rates and the Company's cash balances.

The following table presents a summary of selected financial performance measures (expressed in thousands of dollars except per share amounts):

	Three Month Period Ended			Nine Month Period Ended		
	May 31 2009	May 31 2008	Increase (Decrease)	**May 31 2009**	May 31 2008	Increase (Decrease)
Expenses	**$ 1,495**	$ 1,006	$ 489	**$ 4,058**	$ 3,340	$ 718
Interest Income	**56**	150	(94)	**261**	582	(321)
Net Loss	**1,439**	856	583	**3,797**	2,759	1,038
Net Loss per Share	**$ 0.03**	$ 0.02	$ 0.01	**$ 0.07**	$ 0.05	$ 0.02

Expenses

Research and Development Expense

Certain R&D costs incurred by the Company on bitumen recovery and heavy mineral extraction at the Regina facility and other R&D related costs have been treated as R&D costs and expensed in the third quarter and first nine months of fiscal 2009 and 2008. The increase in R&D expenses reflects the focus on external research relating primarily to bitumen removal and recovery.

The following table summarizes R&D expensed in the periods noted:

	Three Month Period Ended			Nine Month Period Ended		
	May 31 2009	May 31 2008	Increase (Decrease)	**May 31 2009**	May 31 2008	Increase (Decrease)
Compensation & Benefits	**$ 204,728**	$ 103,816	$ 100,912	**$ 461,684**	$ 401,325	$ 60,359
Consulting & Professional Fees	**38,752**	26,621	12,131	**152,367**	114,198	38,169
Rent	**32,380**	27,056	5,324	**85,107**	123,616	(38,509)
Travel, Telephone & Office	**34,939**	17,404	17,535	**90,898**	65,196	25,702
Research facility	**21,518**	75,058	(53,540)	**46,994**	244,147	(197,153)
External Research	**922,792**	51,017	871,775	**1,891,193**	51,017	1,840,176
Stock-based compensation	**22,211**	48,580	(26,369)	**63,679**	149,333	(85,654)
Subtotal	**1,277,320**	349,552	927,768	**2,791,922**	1,148,832	1,643,090
Less: Alberta Grant	**(459,941)**	-	(459,941)	**(947,312)**	-	(947,312)
Less: Deferred development costs	**(79,069)**	(144,614)	65,545	**(222,768)**	(419,373)	196,605
TOTAL	**$ 738,310**	$ 204,938	$ 533,372	**$ 1,621,842**	$ 729,459	$ 892,383

R&D costs increased in the third quarter of fiscal 2009 to $738 thousand from $205 thousand in the comparable period of fiscal 2008. For the first nine months of fiscal 2009, R&D costs were $1.622 million compared to $729 thousand for last year. The focus of the Company’s R&D efforts continues to be on third-party outsourced R&D projects with expert research firms located principally in Canada and the United States. This has resulted in reduced spending at the Company’s research facility in Regina. Accordingly, the external research is the primary reason for the net increase in overall R&D costs for the quarter and year to date.

The majority of these outsourced R&D costs is being partially recovered from the Alberta Government under the provisions of the Energy Innovation matching Grant. Both salary and consulting costs have increased in both the third quarter and first nine months of fiscal 2009 due largely to incentive performance payments to staff for the achievements of milestone targets.

General and Administrative

The following table provides details of General and Administrative expenses for the periods noted:

	Three Month Period Ended			Nine Month Period Ended		
	May 31 2009	May 31 2008	Increase (Decrease)	**May 31 2009**	May 31 2008	Increase (Decrease)
Compensation & Benefits	**$ 230,265**	$ 265,207	$ (34,942)	**$ 761,324**	$ 742,141	$ 19,183
Consulting & Professional Fees	**106,138**	148,620	(42,482)	**351,031**	521,146	(170,115)
Directors' Fees	**68,924**	42,917	26,007	**172,398**	144,630	27,768
Travel	**39,901**	64,597	(24,696)	**164,233**	204,693	(40,460)
Rent & Insurance	**49,909**	37,362	12,547	**147,663**	115,958	31,705
Investor Relations & Filing Fees	**7,173**	27,382	(20,209)	**134,198**	258,311	(124,113)
Telephone, IT & Office	**44,515**	34,460	10,055	**94,374**	87,851	6,523
Loss on disposal of equipment	**3,903**	-	3,903	**3,903**	-	3,903
TOTAL	**$ 550,728**	$ 620,545	$ (69,817)	**$ 1,829,124**	$ 2,074,730	$ (245,606)

Total general and administrative costs declined in the third quarter and the first nine months of fiscal 2009 compared to the same periods of fiscal 2008 as the Company continues its efforts to control corporate overhead costs. In particular, consulting and professional fees have been reduced in both the quarter and for the full nine months. As well, costs related to investor relations including the preparation of the annual report, which was redesigned to be more cost effective, have been reduced considerably as compared to the similar periods of fiscal 2008.

Foreign Exchange Loss (Gain)

Foreign exchange losses have increased in both the quarter and on a year to date basis as compared to the prior year. The Company incurs some of its R&D expenses in $US dollars and the change in the $CDN/$US foreign exchange rates over the past nine months have resulted in losses on the accounts payable balances between the date the service was provided and the date the invoice was paid.

Stock-based Compensation

The Company uses the values calculated by the Black-Scholes option pricing model as a proxy for the fair value of stock options. Use of this model has become the prevalent practice for estimating the fair value of options. The assumptions used in determining the fair value are explained in the notes to the financial statements. The estimated fair value of the options is charged to earnings over the vesting period of the options. In any particular period, the amount of stock option expense will be affected by the assumptions used in determining the fair value of options granted and the terms associated with options vesting in the period. Titanium issued 400,000 options in the third quarter of fiscal 2009, 670,000 for the nine month period and the cost of the applicable vesting was recorded in each applicable period.

Interest income

Interest income relates to interest earned on the Company's cash balances. The reduction in interest income in the third quarter and first nine months of fiscal 2009 compared to the comparable periods of fiscal 2008 reflects the decline in interest rates and the Company's lower cash balances.

Oil Sands Project

The Company capitalizes all direct costs of the Oil Sands Project which meet the generally accepted criteria for deferral (see Critical Accounting Estimates). Other costs which do not meet the criteria for deferral, but are incurred as part of the Company's research program, are expensed.

Costs which were capitalized in the third quarter and first nine months of fiscal 2009 amounted to $72,451 and $204,251 respectively, which compares to $131,601 and $393,077 for the comparable period of fiscal 2008, as summarized in the table below.

	Three Month Period Ended		Nine Month Period Ended	
	May 31 2009	May 31 2008	**May 31 2009**	May 31 2008
Beginning Balance	**$ 15,482,608**	**$ 15,098,705**	**$ 15,338,909**	**$ 14,823,946**
Consulting & Professional Fees	5,476	10,464	12,122	10,464
Stock-based Compensation	6,617	13,013	18,517	26,296
Compensation & Benefits	47,301	41,730	134,763	165,289
Travel	-	-	-	25,705
Rent	16,051	13,528	40,414	61,808
Research Facility	3,624	65,879	16,952	129,811
Ending Balance	**$ 15,561,677**	$ 15,243,319	**$ 15,561,677**	$ 15,243,319

Summary of Quarterly Results

The following table summarizes the financial data of the Company for the most recently completed eight quarters:

	Q3 May 31, 2009	**Q2 Feb 28, 2009**	**Q1 Nov 30, 2008**	**Q4 Aug 31, 2008**
Net Loss	**$ 1,439,066**	$ 1,211,647	$ 1,146,368	$ 1,271,880
Basic and Diluted Loss per Share	**$ 0.03**	$ 0.02	$ 0.02	$ 0.02

	Q3 May 31, 2008	**Q2 Feb 28, 2008**	**Q1 Nov 30, 2007**	**Q4 Aug 31, 2007**
Net Loss	$ 856,301	$ 1,152,544	$ 749,970	$ 1,048,091
Basic and Diluted Loss per Share	$ 0.02	$ 0.02	$ 0.01	$ 0.01

LIQUIDITY AND CAPITAL RESOURCES

Management of Cash Resources

All aspects of the Company's business model have been reviewed and measures are underway to reduce expenses and increase efficiency. As part of this initiative, the Company moved its head office from Toronto to Edmonton in May 2009. Not only will this consolidate functions, enhance operational effectiveness and efficiently support the progress of the R&D programs, but it will also lead to cost savings.

The Company finances current operations, R&D programs and capital expenditures from its current cash resources. Currently, the Company is not generating any revenue from its Oil Sands Project. The Alberta grant continues to make a significant contribution to the Company's working capital position. Current demands on the Company's capital resources stem from management's plans for continued R&D on, and eventual commercialization of, the Oil Sands Project. The Company's potential sources of liquidity until the Oil Sands Project reaches commercial production and profitability are as follows; current cash balances, government grants, issue of equity capital, exercise of stock options, project financing and entering into joint ventures.

The Company has $16.6 million in cash and short-term investments (including $3.6 million of current and non-current restricted cash) at May 31, 2009, which compares to cash and short-term investments of $17.8 million (which includes $3.6 million of current and non-current restricted cash) at February 28, 2009 and $20.6 million (including $3.5 million of current and non-current restricted cash) at August 31, 2008. The Company's short-term investments are bankers' acceptances and guaranteed investment certificates issued by Schedule A Canadian chartered banks.

To complete the development to commercial production, the Company will need to obtain external financing. The ability to develop the Oil Sands Project is dependent on the Company's ability to raise the necessary financing to build the required plant and infrastructure through debt or equity issues or other strategic alternatives.

The current volatility and uncertainty of the global financial markets means that for at least the immediate future, there will probably be limited opportunity to raise funds in the capital markets without significantly diluting the ownership interest of the current shareholders. The Company is reviewing all costs with a view to conserve available cash resources. On the basis of the Operating Plan and Budget that was prepared by Management for fiscal 2010, the Company has sufficient funds to meet its current obligations.

OFF BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet transactions.

OPTIONS TO PURCHASE COMMON SHARES

The following table summarizes the changes in options to purchase common shares for the third quarter of fiscal 2009:

	Number of Options	Exercise Price	Expiry Dates
Balance Aug 31, 2008	3,225,000	$ 0.70 - $ 3.86	Jan 2009 - Jul 2013
Granted	270,000	$ 0.21	Nov 2013
Expired	(375,000)	$ 1.98 - $ 3.05	-
Balance Nov 30, 2008	3,120,000	$ 0.21 - $ 3.86	Jan 2009 - Nov 2013
Expired	(100,000)	$ 1.97	-
Balance Feb 28, 2009	3,020,000	$ 0.21 - $ 3.86	Jul 2009 - Nov 2013
Granted	400,000	$ 0.40	May 2014
Exercised	(2,500)	$ 0.21	
Expired	(70,000)		
Balance May 31, 2009 and July 29, 2009	3,347,500	$ 0.21 - $ 3.86	Jul 2009 - May 2014

CRITICAL ACCOUNTING ESTIMATES

Oil Sands Project Development Costs

All direct costs which meet the generally accepted criteria for deferral related to the Oil Sands Project are capitalized as incurred. These criteria include having a clearly defined process with identifiable associated costs, establishment of technical feasibility, an intention to process and sell the recovered minerals and bitumen to a clearly defined market and adequate resources exist or are expected to be available to complete the project to commercial production.

Other costs that are incurred in connection with the Oil Sands Project that do not meet the criterion for deferral are expensed in the period in which they are incurred.

Stock-based Compensation

The Company accounts for all employee and non-employee stock-based awards pursuant to the amended recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. The stock-based compensation recorded by the Company is a critical accounting estimate because of the value of compensation recorded and the assumptions which are integrated to the calculation of the compensation expense.

Compensation expense is recorded for stock options issued to employees and non-employees using the fair value method. The Company must calculate the fair value of stock options issued and amortize the fair value to stock compensation expense over the vesting period, and adjust the amortization for stock option forfeitures and cancellations. The Company uses a Black-Scholes model to calculate the fair value of stock options issued which requires that certain assumptions including the expected life of the option and expected volatility of the stock be estimated at the time that the options are issued.

ADOPTION OF IFRS

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that will significantly affect financial reporting for Canadian publicly accountable enterprises the AcSB strategic plan outlines the replacement of Canadian GAAP with International Financial Reporting Standards (“IFRS”) over an expected five year transitional period. In February 2008, the AcSB announced that 2011 would be the changeover date for publicly accountable companies to use IFRS, the changeover dated applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. For the Company, these new standards will be effective for the reporting period commencing September 1, 2011, and the amounts reported for the fiscal year commending September 1, 2010 will have to be restated for comparative purposes.

The Company has commenced the planning and scoping phase for its conversion to IFRS.

RISKS

The following discussion pertains to the outlook and conditions currently known to management that may have a material impact on the financial condition and results of operations of the Company. This discussion, by its nature, is not all-inclusive. Other factors may affect the Company in the future.

Technological risks

The nature of developing appropriate new technologies contains inherent risks and there can be no assurance that these technologies will be successful. The inability to develop commercially viable technologies to successfully recover bitumen and minerals from oil sands tailings could have a material adverse effect on the Company’s future business and financial performance.

Development risks

The Company continues to develop and test processes for cleaning and extracting minerals from oil sands tailings and recovering the associated bitumen. Unforeseen difficulties with moving up to commercial scale, unexpected utility costs, natural gas costs, labour costs or shortages, engineering costs and related industrial process risks could negatively impact the viability of the Project.

There can be no assurance that the Company will be able to complete development of the Oil Sands Projects at all or on time or to budget due to, among other things, changes in the economics of the project, the delivery and installation of plant and equipment and cost overruns, or that the current personnel, systems, procedures and controls will be adequate to support the Company's operations. Should any of these events occur it would have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

Operational risks

In general, development projects have no operating history upon which to base estimates of future cash capital and operating costs. For development projects such as the Oil Sands Project, estimates of tailings supply are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies. This information is used to calculate estimates of the capital cost, cash operating costs based upon anticipated tonnage and grades to be processed, expected recovery rates, facility and equipment operating costs, anticipated climatic conditions and other factors. In addition, there remains to be undertaken certain work on the Oil Sands Project that could adversely impact estimates of capital and operating costs of the project and such differences could have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

The Company has necessarily relied on the 1996 study by the Alberta Chamber of Resources (Mineral Development Agreement Study) and oil sands' data to establish the extent and consistency of the tailings supply. This involves more risk than the typical situation where a company can control its own source of supply.

The Company may not be able to negotiate fair commercial arrangements with oil sands operators, and in such event, the Company may not be able to secure supplies of tailings.

Marketing risks

Potential customers for heavy mineral products have unique manufacturing processes that utilize feedstock with specific characteristics. The oil sands have more impurities than the average and generally have a slightly finer grain size than typical beach mineral sand deposits. There is also larger than normal variances in the grade of the heavy minerals. The critical steps required to create marketable-grade zircon and titanium mineral products from the oil sands include making a heavy mineral concentrate from the tailings and removal of the remaining hydrocarbons from the concentrate. These factors present additional challenges to the efficient processing of the heavy mineral concentrate. Once removed, the hydrocarbons together with the solvents added to aid removal, must be recovered. There is no assurance that the Company will overcome such challenges on a commercial scale and that its products will meet certain of the potential customers' specifications.

Financial risks

The development of the Oil Sands Project and the construction of processing facilities and commencement of commercial production will require substantial additional financing. Failure to obtain sufficient financing will result in a delay or indefinite postponement of further development and commercial production. The sources of funds currently available to the Company are current cash balances, government grants, the issue of equity capital, exercise of stock options, project financing and/or entering into joint ventures. Additional financing may not be available when needed or if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to existing shareholders.

Management and staff risks

The Company's business is dependent on retaining the services of a small number of key personnel of the appropriate caliber as the business develops. The Company has entered into employment agreements with certain of its key executives. The success of the Company is, and will continue to be, to a significant extent, dependent on the expertise and experience of the directors and senior management and the loss of one or more could have a materially adverse effect on the Company.

Competitive risks

The Company competes with international companies that have substantially greater financial and technical resources to support their business activities as well as for the recruitment and retention of qualified employees. The Company has not operated its heavy minerals processing technology at a commercial scale nor recovered hydrocarbons that are integral to the recovery of the minerals. The manufacturing methods and costs to manufacture also vary greatly with certain methods lending themselves to specific niche applications and deposits. As a result, competition within the industry is driven by a variety of factors, principally cost of production, price and product attributes.

The Company has filed or is in the process of filing patent applications in Canada and the United States with respect to its technology for recovering heavy minerals. There can be no assurance that such patent applications will be allowed or that, if issued, the patents will not be challenged by any third parties, or that the patents of others will not have an adverse effect on the ability of the Company to commercially exploit its technology. Furthermore, there can be no assurance that others will not independently develop similar technology, duplicate the Company's product or design around the patented technology developed by the Company.

In addition, the Company could incur substantial costs in defending itself in suits brought against it in respect of such patents or in suits in which the Company attempts to enforce its own patents against other parties.

Legal and regulatory risk

Environmental regulation affects nearly all aspects of Titanium's potential clients' operations. Changes in environmental regulation could have a material adverse impact on their operations and by extension, Titanium's ability to profitably market its technologies to such potential clients in the future. In addition, changes to other governmental regulation, including in the areas of land tenure, royalties and taxes, could have similar impacts on potential clients.

COMPLIANCE

Mr. Neil Dawson, Principal of Titanatek (Pty) Ltd. of Australia, and a registered member of AusIMM is the independent consultant who acts as the Qualified Person ("QP") for the Company on its Oil Sands Project.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, marketable securities, prepaid expenses, accounts payable and accruals. The designation of the financial instruments, where relevant, is fully disclosed in the Company's financial statements. It is management's opinion that the Company is not exposed to significant interest, currency, liquidity or credit risks arising from its financial instruments and that their fair values approximated their carrying values unless otherwise noted.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR at www.sedar.com.